

Message Text

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PAGE 01 OTTAWA 03648 092152Z

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00 SS-15
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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3401

INFO AMCONSUL MONTREAL

ALL OTHER CANADIAN CONSULS (BY POUCH)

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E.O. 11652:N/A

TAGS: EAIR, CA

SUBJECT: CIVAIR: WILL PACIFIC WESTERN ACQUIRE TRANSAIR
WITH GOC APPROVAL?

1. PRESS IS REPORTING THAT PACIFIC WESTERN AIRLINES--
ACQUIRED IN 1974 BY THE GOVERNMENT OF THE PROVINCE OF
ALBERTA (SEE OTTAWA A-232, APRIL 2, 1976)--IS ON VERGE OF
ACQUIRING OR MERGING WITH TRANSAIR, FINANCIALLY AILING,
WINNIPEG-BASED REGIONAL CARRIER (SEE OTTAWA 134) AND THAT
THE FEDERAL GOVERNMENT MAY APPROVE THE TRANSACTION. IF
CORRECT, THIS WOULD CREATE A NEW ENTITY, DOMESTICALLY
DISPLACING CP AIR AS CANADA'S SECOND CARRIER, THAT WOULD
PROVIDE WIDE-RANGING SERVICES THROUGH THE THREE PRAIRIE
PROVINCES, BRITISH COLUMBIA, THE NORTHWEST TERRITORIES,
AND THE YUKON, AS WELL AS CONNECTING TORONTO WITH
WINNIPEG.

2. COMMENT: EXTENSION OF ALBERTA OWNERSHIP TO TRANSAIR
WOULD CONTRAVENE RECENT GOC AVIATION POLICY WHICH HAS
OPPOSED PROVINCIAL OWNERSHIP OF AIRLINES. THIS POLICY
HAS BEEN SO STRONG THAT THERE IS LEGISLATION PENDING TO
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PAGE 02 OTTAWA 03648 092152Z

REQUIRE FEDERAL APPROVAL OF AIR CARRIER ACQUISITIONS BY
PROVINCIAL GOVERNMENTS. SUCH LEGISLATION WAS PROVOKED
BY ALBERTA'S SUCCESSFUL COURT EFFORT TO ESTABLISH THAT
EXISTING LAW DID NOT REQUIRE SUCH APPROVAL WHEN IT ACQUIRED
PACIFIC WESTERN. REPORTEDLY, GOC IMMEDIATE APPROVAL OF
PWA'S ACQUISITION OF TRANSAIR WOULD BE BASED ON THE DIRE
FINANCIAL POSITION OF THAT PRAIRIE REGIONAL CARRIER WHICH

COULD RESULT IN ITS SUSPENDING SERVICE. HOWEVER, THERE IS ALSO PRESS SPECULATION (SPECIFICALLY GEOFFREY STEVENS IN TORONTO GLOBE AND MAIL FOR MAY 6) THAT SEES SUCH APPROVAL AS PART OF A LIBERAL MOVE TO STRENGTHEN ITS POSITION IN THE WEST AND TO TRADE ON THE EFFECTS OF JACK HORNER'S RECENT PARTY SWITCH. HORNER IS, INTER ALIA, THE BROTHER OF ALBERTA'S TRANSPORT MINISTER WHO, WHILE NOT DIRECTLY RESPONSIBLE FOR THE CARRIER IN THE PROVINCIAL GOVERNMENT, HAS A MAJOR INTEREST IN ITS DEVELOPMENT. ENDERS

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